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**Employment Policy Implementation  
mechanisms in the Republic of Korea**

Soonhie Kang

Employment and  
Labour Market  
Policies Branch

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## Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on Social Justice for a Fair Globalization,<sup>1</sup> and which has now been widely adopted by the international community.

The comprehensive and integrated perspective to achieve this goal are embedded in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda (2003) and, in response to the 2008 global economic crisis, in the Global Jobs Pact (2009) and in the Conclusions of the recurrent discussion on Employment (2010).

The Employment Policy Department (EMPLOYMENT) is fully engaged in global advocacy and in supporting countries placing more and better jobs at the centre of economic and social policies and of inclusive growth and development strategies.

Policy research, knowledge generation and dissemination is an essential component of the Employment Policy Department's action. The publications include books, monographs, working papers, country policy reviews and policy briefs.<sup>2</sup>

The *Employment Policy Working Papers* series is designed to disseminate the main findings of research initiatives on a broad range of topics undertaken by the various branches, units and teams in the Department. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See <http://www.ilo.org/employment>.



## Foreword

Job creation is a priority for all countries. Yet satisfactory job creation is an uphill battle because today's economic environment and policy circumstances are not necessarily aiding this collective effort. Employment challenges have been mounting, but policymakers are faced with limited, and even reduced, fiscal resources. It means that policy interventions for job creation need to be highly effective.

The ILO assists member states to formulate national employment policies (NEPs) as established in the Employment Policy Convention, 1964 (No.122). For the years 2012-2013 alone, 73 requests for technical assistance by countries seeking advice on and support for the formulation of their national employment policies have been received. This is why the Employment Policy Department is developing a series of tools that will guide and support ILO constituents in prioritizing policies based on informed choices and consultations.

As an independent evaluation in 2012 of the ILO's work on employment policy has pointed out, such NEPs, however well-formulated and well-designed, can remain as abstract entities unless the necessary institutional arrangements are put in place to ensure their timely and effective implementation. This needs to be complemented by coordination, monitoring and evaluation mechanisms to adapt them to changing economic circumstances.

In the light of these concerns, the ILO, with support from technical cooperation funds secured under the ILO-Korean Government Partnership Programme launched a cross-country project entitled "Comparative analysis of employment policy implementation mechanisms across countries" in the first quarter of 2013. The following countries and region are covered by the project: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa and the European Union (EU) including two of its member states, the United Kingdom and Germany.

This paper discusses NEPs in Korea. It is organized in three sections. The first section reviews and compares the key employment policies in different periods in response to the Asian and international financial crises, and introduces the new employment strategy under the new government since 2013. The second section analyses the NEP implementation mechanism that includes the coordination, support and accountability systems. The concluding section summarizes the main findings of the case study and distils lessons learned that may be considered by policymakers in formulating and implementing employment policies.

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The paper was prepared as part of a project that was managed by Yadong Wang under the overall guidance of Azita Berar Awad and Iyanatul Islam.





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## Abbreviations

CGE	Computable General Equilibrium model
EIS	Employment Insurance System
EITC	Earned Income Tax Credit
GDP	Gross domestic product
FGI	Focus Group Interview
FKTU	Federation of Korean Trade Unions
HRD-Net	Vocational Training Information Network
I-O model	Input-Output Model
KCCI	the Korea Chamber of Commerce and Industry
KRW	South Korean Won
KUT	the Korea University of Technology and Education
LaMAS	Labour Market Analysis System
LMIS	Labor Market Information System
MOEL	Ministry of Employment and Labor
MOL	Ministry of Labor
OECD	Organization for Economic Cooperation and Development
PES	Public Employment Service
PSM	Propensity Score Matching Method
SMEs	Small and medium sized enterprises
USD	United States Dollar
VT	Vocational Training
YES	Youth Employment Service

# **1 Overview of Korean employment policy<sup>3</sup>**

## **1.1 Before the Asian financial crisis in 1997**

Korea's modern employment policy started with the industrialization of the 1960s. During the period of high economic growth from the 1960s to the 1970s, Korea's employment policies focused on supply side issues, such as job placement services, vocational training etc. to support overseas labour and the development of the country's core infrastructure. From the end of the 1970s to the 1980s, the problem of unemployment was viewed as needing to be solved and employment stabilization policies were implemented to safeguard social stability,. Early in the 1990s, economic growth slowed, and the need for active labour market policies and measures to counter large-scale unemployment surfaced. To provide institutional support for such needs, the Employment Insurance System (EIS) was adopted in 1995.

## **1.2 Between the Asian Crisis and the Global Financial Crisis in 2008**

Fully-fledged implementation of employment policies in Korea only began after the 1997 Asian financial crisis. This economic shock led to a serious liquidity crunch for most companies, which could not avoid massive layoffs. The Government responded with budget cuts and public work programmes. Companies did all they could to avoid laying off workers, employment flexibility was heightened and layoffs were only permissible as a last resort. To protect workers who were subsequently made redundant, social protection was expanded and strengthened. Employment insurance and unemployment benefits were extended to a wider range of beneficiaries. A variety of financial support systems were adopted to encourage companies to keep employees on the payroll and recruit new workers. A programme to provide out-placement services was also implemented. "Work-net", a public jobs portal to provide rapid information to jobseekers and employers was set up. In addition, a system to guarantee the payment of unpaid wages to workers when companies went bankrupt was adopted, and a "wage guarantee fund" was established. In order to implement active measures to combat unemployment, administrative infrastructures were also expanded. "Job Centres", public employment service offices, were established in each region of the country<sup>4</sup>.

Meanwhile, although at the beginning of 2000s, Korea was able to overcome the shocks of the economic crisis, the ability of the labour market to create employment had fallen considerably. At the same time, the proportion of unstable jobs, such as non-regular and contract-based temporary ancillary workers, rose as a result of companies' strategy of increasing labour market flexibility. Another social problem that emerged was unemployment among highly-educated young people. Accordingly, a variety of programmes such as youth internships and assistance to non-regular workers were introduced, mainly financed by the employment insurance system. The infrastructure for the implementation of employment policy has been expanded, but Korea still has not been able to make fundamental improvements in the structural problems of its labour market.

## **1.3 After the global financial crisis**

With such inherent structural problems, the onset of the 2008 global economic crisis led to another shock for Korea's labour market. At the suggestion of the Federation of Korean Trade

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<sup>3</sup> This part was mainly drawn from Cho et al., 2012, KEIS, 2013, and MOEL, 2013.

<sup>4</sup> 168 Job Centres were established nationwide up until 2001. However, from 2004 to 2006, these were reduced to 85, to provide high quality employment services by making them larger and better organized, including by building "General Job Centres". At July 2013, 82 Job Centres were in operation.

Unions (FKTU), an emergency committee consisting of members from the Government, labour, management, and religious, social and citizens' groups was established, and in February 2009, an agreement to overcome the economic crisis through a "Grand Social Compromise" was reached. In addition, to tackle the global economic crisis, the Korean Government focused employment policies on the establishment and implementation of job-focused economic and social policy, supported by employment policy coordination mechanisms and monitoring and evaluation systems.

The Korean Government assumed that the repercussions of the global economic crisis would be greater and more far-reaching than in the 1997 crisis, and postulated that speedy recovery would be difficult. Short-term job creation measures through increased public spending would not be enough. Therefore, it initiated aggressive employment support services, such as: (i) more systematic and intensified jobseeker support; (ii) a Vocational Skills Development Account System, a kind of training voucher system, which provided training services customized to the needs of the jobseeker; and (iii) upgrades in "Work-Net" information and enhanced user convenience.

Jobseeker support programmes, from 2006, included the provision of intensive counselling to assess jobseekers' capabilities and to establish a subsequent "personal action plan." These "customized employment services" provided jobseeking support for each vulnerable group faced with difficulties in the jobseeking process. In 2009, the "Successful Employment Package Programme" was implemented for low income jobseekers, and, in 2011, the "Youth Employment Service (YES)" programme for young people and "Finding New Job Programme" for middle-aged and older jobseekers were integrated into the Successful Employment Package Programme.

## 1.4 The New Government's 70% Employment Rate Roadmap (2013)

In 2013, the new Government launched the 70% Employment Rate Roadmap. It is a major paradigm shift in state administration, in that economic, industrial, education, welfare and all other policies were reviewed from a "jobs" perspective. This roadmap is based on the concept that work is the basis of life and happiness as well as of sustainable growth in an ageing society, and the 70% employment rate is a necessary condition to become a country with 30,000 US dollars per capita GDP<sup>5</sup>. In spite of that, the employment rate in Korea has been stagnant since 2003, and for youth and women, it is far lower than in other OECD countries. The new Government diagnoses the cause of this as growth centred on large firms, manufacturing and exports, long working hours mainly by male and full-time workers, and employment difficulties faced by women, young people and economically inactive groups.

In order to achieve a 70% employment rate by 2017, the number of people in employment needs to be increased by 2.38 million, an annual average of 476,000 over the next five years<sup>6</sup>. To achieve this goal, the Government set up four major policy tasks as shown in Figure 1.

**Table 1 Paradigm shift to achieve the goal of 70% employment rate by 2017**

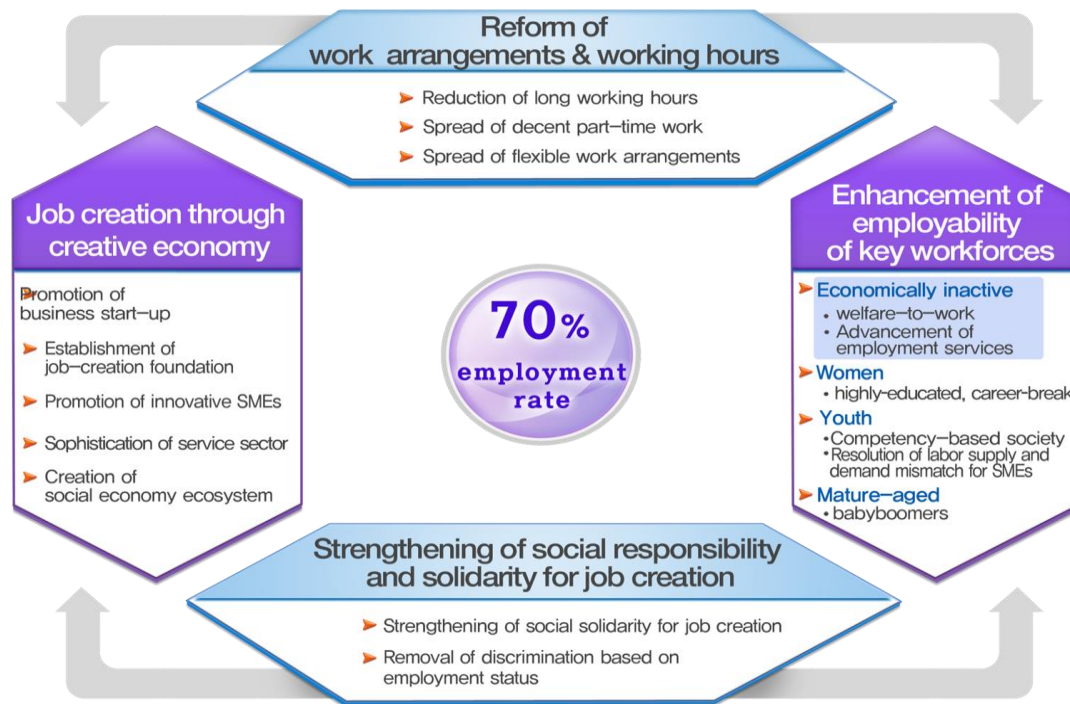
	<b>Present</b>	<b>Future</b>
Main goal	Growth rate	Employment rate
Job policy focus	Export, manufacturing, large firms	Domestic demand, services, SMEs
Work culture	Male, full-time Long-hours work culture	Female, part-time work-life balance

Source: MOEL (2013)

<sup>5</sup> Average employment rate of the countries with 30,000 US dollars and more per capita GDP is 72%.

<sup>6</sup> Annual average increase of the employed is 250,000 persons during the last 10 years.

**Figure 1 Major policy tasks for 70% employment rate goals by the new Government**



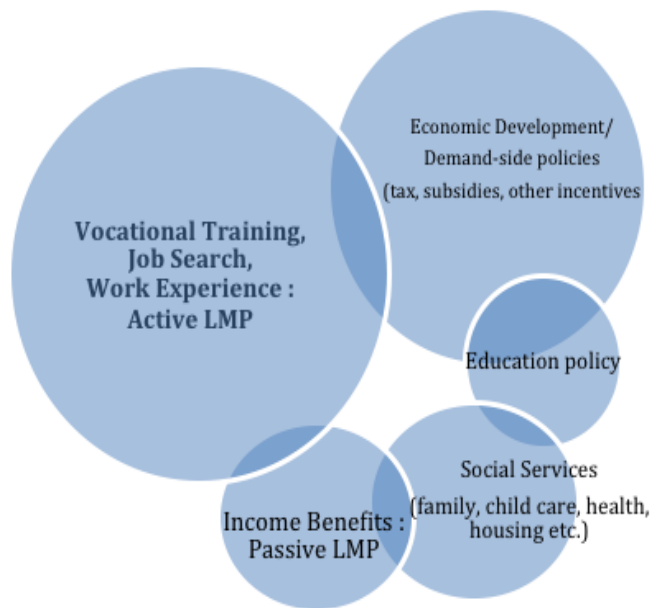
Source: MOEL (2013)

## **2 The employment policy implementation mechanism**

### **2.1 Coordination system**

As in most advanced countries, Korean employment policy encompasses and is related to a number of policy areas and policy instruments, such as demand-side policies including economic development and labour market flexibility, education and social services ( e.g. childcare, health, and housing). The focus of this analysis is on passive and active labour market policies. Also, it is argued that socioeconomic factors and the shift towards activation affect the governance of employment policy development and implementation. Effective policy depends increasingly on coordination between different policy areas.

**Figure 2 Policy areas and instruments related to employment policy**



Source: own elaboration.

The employment policies implemented by the Korean Government to cope with the global economic crisis since 2008 have been focused on the establishment and implementation of job-focused economic and social policy, employment policy coordination mechanisms and policy monitoring and evaluation systems, although, as mentioned, it has also strengthened and intensified employment services above.

With a sluggish job market since the Asian financial crisis in 1997, there has been heightened awareness in Korea that an approach dependent on ministry-specific employment programmes alone is not sufficient to solve the problem. It has become increasingly necessary to establish an employment strategy at national level, which both covers the scope of each of the ministries and the private sector and can be implemented in a consistent manner. In the process of overcoming the global economic crisis, the Korean Government changed the name of the employment-related ministry from Ministry of Labour (MOL) to Ministry of Employment and Labour (MOEL), and strengthened its functions, giving the MOEL powers to coordinate employment policies.

The Korean Government also established high level meetings to strengthen employment policy coordination . In 2010, the National Employment Strategy Meeting was established under the chairmanship of the President in order to deploy a coherent government-wide national employment strategy. The President presides directly over the National Employment Strategy Meeting, and members of the Meeting consist of heads of each government ministry, political parties, and related government institutions, such as the Bank of Korea and the National Economic Advisory Team, as well as senior presidential secretaries, such as the Chief Presidential Secretary for Policy Coordination, Chief Secretary for National Policy Planning, etc. For each agenda, there are broad participants from related fields, including the heads of research institutes, academics and professional experts.

The goal of this Meeting is,

- (i) to reorganize existing policies and systems to make them employment-friendly, meaning that they enable the maximum increase in the total number of jobs within a sustainable range;
- (ii) to resolve the quantitative and qualitative mismatch in labour demand and supply through the development of skilled workers that meet the needs of industries; and
- (iii) to pursue restructuring for the promotion of labour market efficiency and job stability. The

Meeting was originally planned to operate for a limited period of one year, but was continued until the end of the previous Government, although not on a regular basis.

The Meeting set up the ‘National Employment Strategy 2020’ in 2010. In addition, a monthly review of the progress of each Ministry is directly chaired by the President, and the Prime Minister’s Office carries out an evaluation of the job creation measures of all ministries and reports the results to the National Employment Strategy Meeting. This should increase the interest and employment efforts of each ministry.

The Employment Policy Coordination Meeting chaired by the MOEL has also been set up with the purpose of systematic management of national employment strategy tasks and strengthening of cooperation among ministries and central and local government in the pursuit of job creation projects. After the adoption of a national employment strategy has been confirmed, each ministry develops policies, based on its unique area of responsibility, with the goal of job creation, resolution of job mismatches, and human resource development. Local government pursues various job creation projects, based on central government support or with their own financial resources.

Subsequently, the Employment Policy Coordination Meeting provides support for job creation efforts by resolving issues such as duplication of tasks between central and local government in the pursuit of job creation projects. It also acts as a comprehensive channel for dialogue that efficiently coordinates the communication between those involved.

The Meeting is chaired by the Minister of Employment and Labour, and consists of the vice-minister of the ministries concerned, the Head of the Small and Medium Business Administration and the vice-mayors and vice-governors of the sixteen cities and provinces. The Presidential Secretary for Employment and Labour Affairs, Director for Social Integration Policy in the Prime Minister’s Office, and members of the Economic and Social Development Committee also participate. Regular meetings are held once a quarter in which representatives of the ministries and all municipalities participate, while ad hoc meetings are held for each agenda item as the need arises. Agenda items include the Government’s job creation policies as well as issues raised by the private sector and business to improve the efficacy of job creation efforts. The Employment Policy Coordination Meeting collects opinions from a variety of sources and builds a communication channel between the Government and business organizations to develop methods of cooperation. The efficacy of policy implementation has been increased through this diverse feedback.

The Employment Policy Coordination Meeting could improve the efficacy of job creation policy by systematic management of national employment strategy tasks, monitoring its implementation, strengthening of cooperation between ministries and central and local government in the pursuit of job creation projects, and resolving issues such as duplication of tasks between central and local government.

In addition, a Public-Private Job Creation Consultative Committee was established by the MOEL 2011, to build a cooperation system between the Government and the private sector that plays a leading role in job creation. This Committee consists of delegates from the five major business organizations (Korea Chamber of Commerce, Federation of Korean Industries, Korea International Trade Association, Korea Federation of Small and Medium Businesses, Korea Employers Federation), and the Ministry of Employment and Labour. Other government ministries relevant to the job creation effort can participate where employment related issues arise. The Committee is chaired by the Minister of Employment and Labour. In principle, meetings are convened once a quarter, but could be held at any time as needed. Meetings of the Committee discuss the development of public-private joint cooperation projects, the role of business organizations in job creation, and policy tasks. The Government leads discussions mostly on labour market trends and major employment and labour market policies, while business representatives present issues relating to public-private cooperation for job creation,

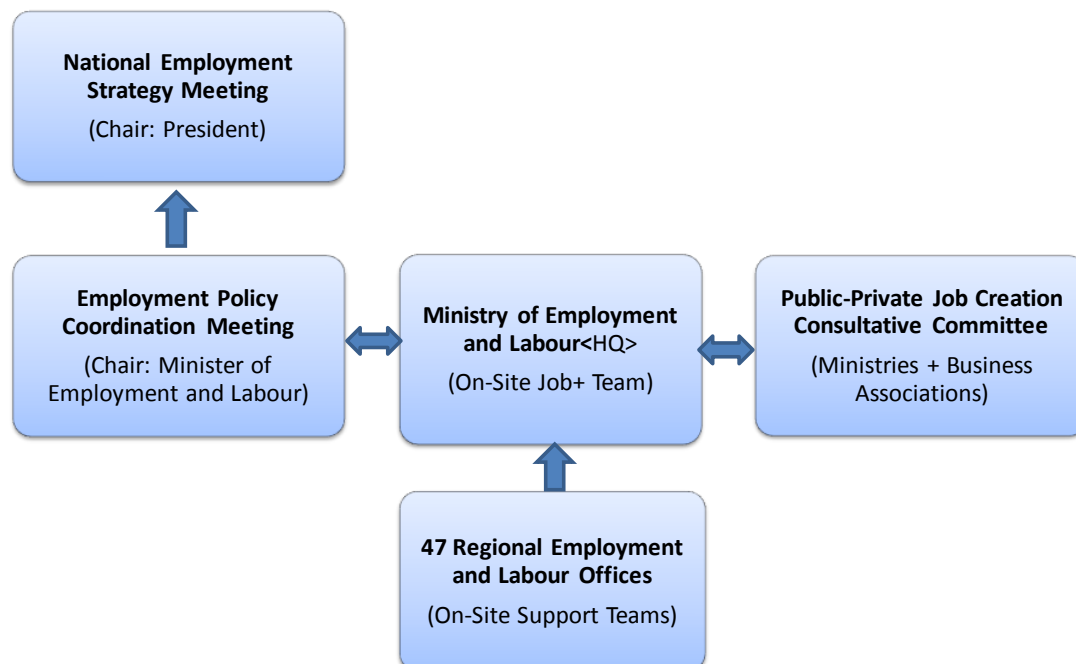


difficulties faced by businesses in job creation, and other tasks appropriate for public-private cooperation.

For customized measures in response to on-site needs, the MOEL began providing direct support at business sites by setting up the On-site Job+ Team, an on-site group to support job creation, in 2011. Directly under MOEL, the “On-site Job+ Team” was formed for on-site coordination, which meant that government delegates could visit workplaces in person to assess the difficulties faced by companies and jobseekers with regard to employment issues. As part of central government, it conceived ways to resolve problems and overcome barriers. At local level, on-site support teams were established and placed directly under the head of each regional employment and labour office. Staff of Job Centres and labour inspectorates in the on-site support teams provided on-site employment support, and took full responsibility for the coordination and command of all such support activities. In addition, due to the need to assess repercussions on the local community, as well as the everyday difficulties that arose in the job creation effort, business sites that require extra assistance are selected, and delegates are sent there to maximize support. To make these teams more efficient, the MOEL tried to build a system to resolve the core issues within each region, and to make active use of regional consultative bodies, such as local employment forums. On-site support teams visited 16,000 business sites in 2011 alone. They identified 12,000 barriers to job creation efforts and resolved 7,000 of these problems. They also identified 32,000 job offers which resulted in the employment of 15,000 people. These customized on-site support efforts raise job creation performance by resolving everyday difficulties and surmounting barriers as well as increasing trust in government policy

In summary, the National Employment Strategy Meeting is the highest level meeting to coordinate coherent government-wide national employment policies. The Employment Policy Coordination Meeting chaired by Minister of Employment and Labour manages national employment strategy tasks and strengthens cooperation between ministries and central and local government, based on the national employment strategy. The Public-Private Job Creation Consultative Committee was established by the MOEL in order to strengthen cooperation between government and the private sector in job creation. The MOEL also has its own direct support system for job creation such as the On-site job+ Team. Currently, the staff of 47 Regional Employment and Labour offices act to provide on-site employment support. Figure 4 shows the relationships between these stakeholders.

**Figure 3 Korean employment policy coordination system**



Source: Kim, 2013; MOEL, 2013

In Korea, the Tripartite Commission has an important role in coordinating employment policy. During the Asian financial crisis, labour, management and government engaged in social dialogue in February 1998, which resulted in the “Grand Social Compromise,” through which social partners would share the burden during times of economic difficulty. The Government would raise finances through budget cuts and by implementing public works programmes. Companies would do their best to avoid laying off workers, while employment flexibility would be heightened so that lay-offs would only be permissible in unavoidable cases. To protect workers who have been subsequently made redundant, social protection would be expanded and strengthened.

In the 2008 global economic crisis, at the suggestion of the Federation of Korean Trade Unions, an emergency committee consisting of members from the Government, labour, management, and religious/social/citizens groups was established, and in February 2009, an agreement to overcome the economic crisis through a “Grand Social Compromise” was reached.

The new Government continues to emphasize the importance of social responsibility and solidarity in job creation. In May 2013, the tripartite partners agreed on the Jobs Pact to achieve a 70% employment rate. The main content of the Jobs Pact is as follows:

1. laying the foundation for job creation through corporate growth and investment promotion,
2. cooperating in increasing decent part-time jobs and public-sector social service jobs,
3. cooperating in creating more jobs and enhancing the employability of young people, the elderly and women,
4. reducing working hours and revising the wage system to create future jobs, and
5. cooperating to retain current jobs and create new ones

## **2.2 Support system**

### **2.2.1 *The Employment Insurance System as the basic institutional support***

In Korea, the Employment Insurance System (EIS) mainly covers active and passive labour market policies. Most employment policies are based on EIS programmes, and accordingly most financial resources for the policies come from the Employment Insurance Fund. Thus, it is fair to say, the EIS is the most representative and basic support system for employment policy.

The Korean Employment Insurance System was implemented in 1995. Whereas the traditional unemployment insurance system concentrated on post-factum remedial measures by giving cash benefits to the unemployed, the EIS institutionalizes preventive measures against unemployment as well as adopting various active labour market policy measures. The principal purposes of the EIS are fostering economic and social development by: i) preventing unemployment and promoting employment; ii) strengthening development of job skills and efficient job placement services; and iii) providing financial assistance to redundant workers.

To this end, the EIS has three basic programmes: employment stabilization and vocational skills development programme; unemployment benefits; and childcare and maternity leave benefits.

**Table 2 Structure of the Korean Employment Insurance Scheme**

1. Employment stabilization and vocational skills development programme	<ul style="list-style-type: none"> <li>– Job creation subsidy</li> <li>– Employment adjustment subsidy</li> <li>– Employment promotion subsidy</li> <li>– Assistance to employers' vocational training</li> <li>– Vocational training assistance for employees and the unemployed</li> </ul>
2. Unemployment Benefits	<ul style="list-style-type: none"> <li>– Job-seeking benefit</li> <li>– Employment promotion allowance</li> </ul>
3. Childcare and Maternity Leave Benefits	<ul style="list-style-type: none"> <li>– Childcare leave benefit</li> <li>– Maternity leave benefit</li> </ul>

Source: Yoo, 2012

The EIS applies to all businesses regardless of size. Self-employed persons and employers who hire less than 50 employees could register with the EIS from January 2012.

Insured workers receive unemployment benefits when they are laid off, but employers are usually responsible when their workers become unemployed. So the insurance costs for Unemployment Benefits are financed by equal contributions from both employees and employers. Employers get direct benefits from the Employment Stabilization Programme and Vocational Skills Development Programme, so they pay the entire cost of both the Employment Stabilization Programme and Vocational Skills Development Programme. The Government is responsible for maintaining a sound employment situation and developing the EIS. The Government therefore finances the administrative costs of the EIS. The contribution rate for unemployment benefits is 0.9 per cent (0.45 per cent from employees and 0.45 per cent from employers) of the total payroll, and the contribution rate for the Employment Stabilization Programme and the Vocational Skills Development Programme ranges from 0.25 per cent to 0.85 per cent of the total payroll, depending on the size of the firm.

The Employment Insurance System serves as the basic institutional supporting system for Korean employment policy, despite some challenges, such as wide blind spots including non-wage workers, increasing social risks in each stage of labour market transition, lack of activation for unemployment benefit recipients, shortage of public employment service staff and their skills as care managers.

### **2.2.2 Public Employment Service (PES)**

The goal of the public employment service is to improve labour market efficiency by solving information disparities, matching job seeking and conditions, and provision of suitable employment services. For this reason, the PES is another major employment policy support system.

In Korea, the employment service has been given special emphasis. The function of the public employment service is essential for the smooth operation of the labour market and better matching of jobseekers to recruiting companies, temporary jobs, reduction in the length of unemployment, and transition to better jobs. In addition, a recent increase in a mismatch between demand and supply of labour and difficulties in job creation increased the importance of the service. The promotion of employment by encouraging participation of socially vulnerable groups in the labour market is also key and, for this, diverse employment assistance programmes are required.

As part of its efforts to build infrastructure to stabilize employment, in 1998, in the immediate aftermath of the Asian financial crisis, the Korean Government established Job Centres nationwide. Job Centres are public employment service organizations involved in employment assistance (job intermediation, vocational guidance), employment insurance management (management of employment insurance policyholders, payment of unemployment

benefit), and vocational training. However, in the early stages of establishing the Job Centres, the level of employment support services in Korea was low in terms of personnel and programmes. Subsequently, from 2005, the Korean Government began pursuing measures to expand the public employment service.

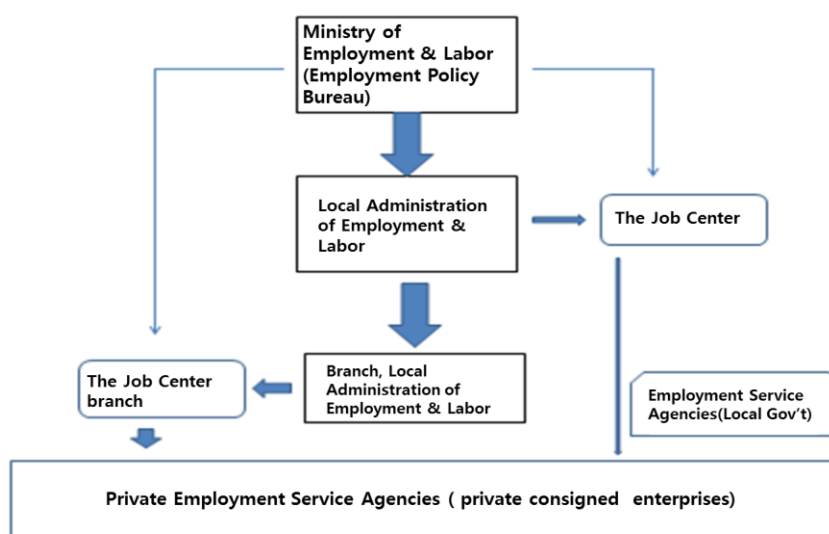
To increase the number of staff in Job Centres, 620 new job consultants were recruited in 2006-2007. To provide employment security to the private vocational counsellors at the Job Centres, measures were taken to convert their status to that of civil servants in 2007. Furthermore, to promote customer convenience and provide diverse services, Job Centres were merged and concentrated in major cities. Job Centre offices were purchased nationwide to gain ownership of facilities.

Job Centres are part of the local administration office under the Ministry of Employment and Labour. Local offices of the central government have included job security agency since its inception. Programmes operated by the agency in the past were concentrated on monitoring vocational training and private employment agencies providing job placement and skilled workers. It meant that the role of the agency in providing direct employment services was weak. In 1994, the Employment Security Act stipulated that the job security agency was one of the local administration offices under the Ministry of Employment and Labour, and that public employees and vocational counsellors were posted to the agency.

In organizational terms, Job Centres are affiliated to the local labour office or its branch which is the local administration of the Ministry of Employment and Labour. An employment security agency used to be one of the bureaus of the local labour office or its branch until the late 1990s, but it is now an independent organization under the local office. At present, six metropolitan cities have Job Centres under their local labour office and 41 branches of the local office also have their own Job Centre. As of 2013, there were a total of 82 Job Centres in Korea.

Figure 6 below shows the Korean PES delivery system. At the present time, a core agency delivering PES in Korea is the Job Centre, but it not the only one. Services are also provided by employment service agencies of local governments. Private employment agencies also play a part. The relationship between private employment agencies and Job Centres is somewhat ambivalent. Private employment agencies not only cooperate with Job Centres, but are also under the supervision of the Job Centre which monitors their activities.

**Figure 4 PES Delivery System in Korea**



Source: Oh et al., 2013

Efforts have also been made to improve the jobseeker support programme. From 2006, intensive counselling was provided to jobseekers in order to assess their capabilities and then to establish a “personal action plan.” This was called “customized employment services,” providing step-by-step job-seeking support for each individual jobseeker. Such services provided a basis for the gradual expansion of intensified employment services catering to each type of vulnerable group faced with difficulties in the job-seeking process.

In 2009, the “Successful Employment Package Programme” was implemented for low-income jobseekers. The Successful Employment Package Programme is an integrated employment assistance programme for the low-income bracket and vulnerable social groups (aged 15-64 earning less than 150 per cent of the minimum cost of living) via customized personal employment assistance plans which combined the assistance process of “diagnosis/goal setting → motivation and capability improvement → focused job matching.” It is a comprehensive employment assistance system helping their labour market entry with subprogrammes such as ‘incentives to people successfully employed.’ In 2011, the “Youth Employment Service (YES)” project for youths (youths aged 15-29) and “Finding New Job Programme” for middle-aged and older jobseekers (aged 40-64, earning less than 200 per cent of the minimum cost of living) have been integrated into the Successful Employment Package Programme.

Services are provided to all three programmes in stages. Stage 1 is evaluation and career path setting (within one month). All participants receive intensive individual counselling from Job Centre counsellors, and an assessment of their employment abilities, desires and skills. Based on the results of the evaluation, a personal action plan is established, which includes services provided in the second stage. Stage 2 is improvement in vocational skills (6-8 months). Vocational training, work experience, start-up programmes, and youth internship programmes are provided. Stage 3 involves the intensive job matching (two months). Job Centre counsellors accompany programme participants to their job interviews and provide support. Group interview sessions are held by participants and recruiting companies. An allowance is paid during all the programmes: in stage 1, KRW 200,000 (approximately USD 180) per month, and in stage 2, KRW 200,000 per month, and KRW 110,000 (approximately USD 100) when participating in vocational training.

The employment service performance management system was constructed to provide efficient service and effective performance management of the Job Centre. In 2006, the Employment Service Evaluation Centre was set up in the Korean Employment Information Service. It seeks to improve the quality of employment services by continuous assessment, monitoring, quality certification, and skills development for employment service staff in both the public and private sectors. All this contributes to the efficient operation of the labour market. In 2011, the employment service performance management system was restructured. The system now contains analysis modules that provide overall management of performance indicators for the services delivered by Job Centres, local and municipal government, and private employment service agencies. It provides performance indexes for employment services according to agency type and delivers the results of its analysis to those agencies.

In order to strengthen employment services, abundant and accurate information on recruiting companies must be provided to jobseekers as well as information on jobseekers to recruiting companies. The Korean Government has recently strengthened the function of Work-Net, a public job information network that provides services such as online job matching. Through Work-Net, the function of providing jobs at SMEs has been particularly emphasized. In 2005, to develop employment services, the Korean Government strengthened the off-line employment services, and simultaneously set about strengthening the role of Work-Net online. Subsequently, it deployed the Labour Market Analysis System (LaMAS) which provided comprehensive information to jobseekers from the three major job information networks: Work-Net, Vocational Training Information Network (HRD-Net) and the Employment Insurance Information Network. It also built Job-Net, which provides comprehensive job search information via public and private job portals. Efforts were also made to strengthen the

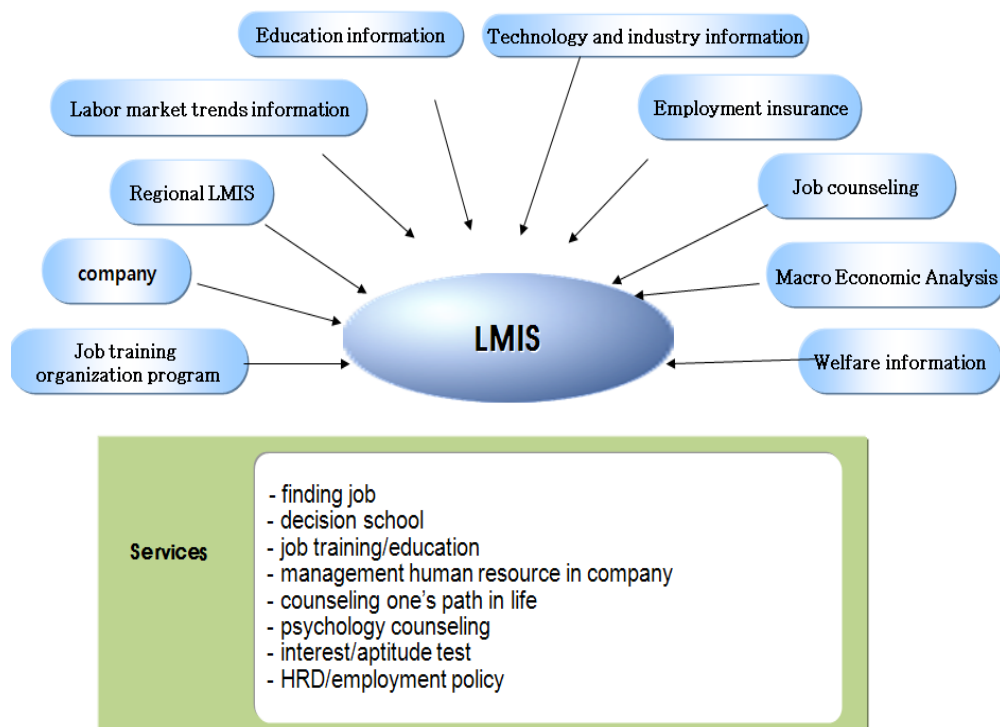
provision of recruiting information and job information customized to each group, such as young people, the elderly and women.

From 2009, a soft matching technique was adopted to facilitate the matching of recruiters with jobseekers on Work-Net. Useful information could be provided in large quantities to jobseekers and recruiters, with information matching 100 per cent of job search conditions, and job information being provided in the order of those with similar wages, fields and working conditions. An “online recruitment service” system was also built and managed, providing a direct avenue for matching jobseekers and recruiters online.

### 2.2.3 Labour Market Information System

The Labour Market Information System (LMIS) is among the most important infrastructure tools to create jobs and increase employment through effective job matching. Korea introduced the PES back in the 1980s, but it was of limited value to the public because the quality of labour market information was so poor. However, since the Asian financial shock, the Korean Government has been investing huge budgets in the PES,, and it has played a huge role in the fight against unemployment by providing efficient matching between jobseekers and companies. The LMIS and the PES together have contributed to the high employment performance. In the PES, all job centres are networked via the central information centre, in which all information about jobs and jobseekers is gathered, classified, and analysed.

Figure 5 Structure and functioning of the LMIS in Korea



Source: Kang and Uh, 2013.

The properly classified information is, in return, provided both to local branches and to the public off and on-line, free of charge. Private job-related agencies also may use this information. Thousands of private job placement agencies are running in Korea, usually focusing on a specific target group (e.g. youth, women or temporary workers) or specific occupations (e.g. construction, household services). There are also many private companies providing job information. These are businesses providing job information through newspapers, magazines and other publications or wired/wireless broadcasting and computer communications. The development of information and communication technology had led to an increase in the number of companies providing job information through the Internet. A

distinction is drawn between companies which provide employment placement services, job placement businesses, and those which only offer a job information service online, or job information providers. On-line job information providers are of several types, ranging from specialized job information website construction to additional services through internet portals or the media. In this way, the PES and private employment service complement each other.

#### 2.2.4 *Vocational training*

Another important aspect of strengthening employment policy is the vocational training policy. Public vocational training, which was introduced with the enactment of the Vocational Training Act in 1967, contributed to Korea's industrialization and economic development by fostering skilled manpower. However, technological advances led to changes in labour demand, while forms of employment became more diversified to include non-regular work. Such circumstances led to the realization of the importance of ongoing vocational development to secure workers' job stability and flexibility in the labour market. However, vocational training to date has not fully reflected the demands of trainees and companies, with the government-led delivery system resulting in low training participation rates, polarization of participation opportunities, with the focus usually on regular workers in large companies.

As a result, in 2009, the Vocational Skills Development Account System was adopted to enhance the effects of training through linkages with employment services. The training options have been expanded, the training market has become more active through the alleviation of entry barriers, and intense counselling and information has become widely available. Under the Vocational Skills Development Account System, jobseekers who receive counselling and are recognized as needing training are given direct training cost assistance up to KRW 2 million (approximately USD 1,800) (up to KRW 3 million for participants in the Successful Employment Package Programme). Jobseekers may select the training course that they deem most suitable for them from among the many training programmes accredited by the Government. The Vocational Skills Development Account System is similar to the training voucher schemes in other advanced countries.

Also worthy of note is the SMEs Training Consortium. The SMEs Training Consortium project was introduced in 2001 to train and supply a talented workforce (initial training) for SMEs suffering from shortages of production workers and to promote the skills development of incumbent workers (upgrade training). Both at home and abroad, the project is seen as having contributed greatly to the promotion of training among SMEs, through sharing of training facilities and know-how between large companies and SMEs. The project was also presented as a successful case in the Employment Outlook 2004, and at the OECD International Conference on Lifelong Learning held in March 2005.

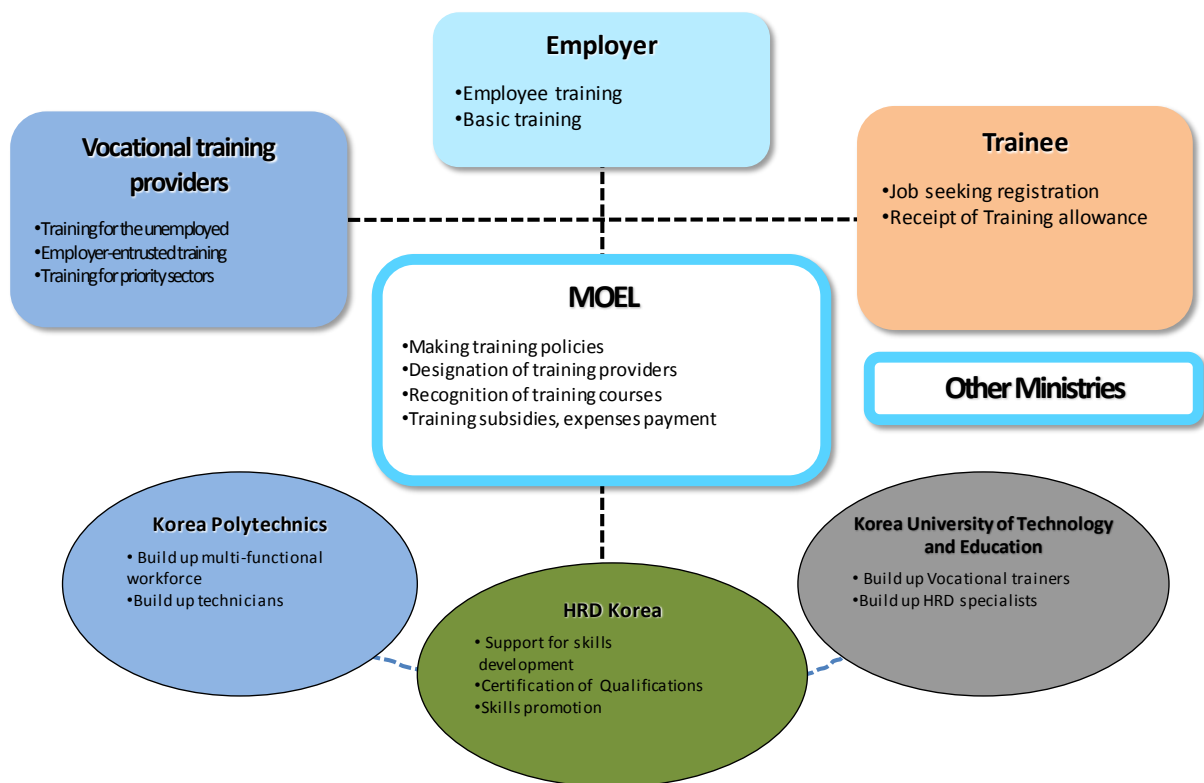
The main administrative authority for vocational training is the Ministry of Employment and Labour, and it is fully responsible for public vocational training policy at the national level.

The most representative public vocational training institution is the Human Resources Development Service of Korea (previously the Korea Vocational Training Management Agency) established in 1982. Prior to 2005, the Agency operated in five main business areas: training workers; testing vocational skills; providing employment services; job placement and recruitment support; and promoting skills formation. It provided vocational training at its 21 vocational schools. However, after the reform of the public training infrastructure in 2005, the work of providing vocational training was transferred to Korean Polytechnics (previously polytechnic colleges). Korea Polytechnics now offers two-year multi-skilled engineer courses and one-year craftsman courses at its 40 campuses nationwide. At present, the HRD Service of Korea is devoted to work relating to HRD infrastructure (supporting public and private training, in-plant skills development, distance training, and developing training materials and courses, etc.).

Another major public vocational training institution was the Joint Vocational Training Institute. The Joint Vocational Training Institute was financed by vocational training levies, and, in its early days, operated by the Ministry of Labour. But later its control was transferred to the Korea Chamber of Commerce and Industry (KCCI), an employers' association. As the private organization was put in charge, emphasis was placed on planning courses so as to foster a workforce adaptable to industrial demands, improving training methods to develop trainees' application skills, making better use of training facilities, giving trainees the flexibility to change their trade, and saving training costs. Recently, as part of the reform of public training, its status has been changed to that of private training institute.

The Korean Government also established the Korea University of Technology and Education (KUT) in November 1991, providing four-year courses for vocational training instructors. Since then, the KUT has run two types of courses for training instructors: regular courses and teaching training courses. The former is available to those qualified to enter a college under the Education Act, and is aimed at producing training instructors equipped with theoretical knowledge and practical skills through four-year training and education. The latter is a course open to those who have a qualification and knowledge in a professional area, and gives an instructor licence after four weeks of teacher training.

**Figure 6 Structure of vocational training policy delivery in Korea**



Source: own elaboration

In Korea, private vocational training institutes have also played a part. The most typical private vocational training is that provided by in-plant vocational training institutions. Other private training is provided by authorized vocational training institutes under the Basic Vocational Training Act. It was replaced by the Workers Vocational Training Promotion Act (renamed the Workers Vocational Skills Development Act in 2004), preparation of which began in 1996 and which took effect in 1999. As a result, for-profit corporations, associations of enterprises and individuals were also allowed to provide training if their training facilities or courses were recognized or designated by the authorities. These provisions were all intended to create the foundations for promoting private vocational training. At present, more than 7,000 private training institutes provide public training.



### 2.2.5 Tax and welfare systems for employment

The Korean Government has made various efforts to create jobs, not only through direct measures such as employment policy, but also through taxation, and various social and industrial policies. Tax reforms have been initiated in Korea in order to actively encourage job creation by private companies. First, the Korean Government has set up the “tax credit system for investment in job creation,” which provides tax benefits based on newly created employment, with the aim of encouraging investment for job creation. Secondly, for SMEs that increase employment, the Government has implemented a two-year tax credit system for social insurance premiums. Thirdly, SMEs that employ young people are totally exempt from income tax for up to three years. Fourthly, the Earned Income Tax Credit system has been revised to encourage work and family formation among low income households.

The Korean Government also reformed the welfare system to enhance incentives to attract low-income earners to the labour market. In order to overcome several problems in the public assistance programmes which kept low-income households from getting out of the welfare system, the Korean Government has been strengthening the linkage between Job Centres and local government offices, expanding the programmes for supporting self-reliance of public assistance recipients, and adopting a “special allowance system.”

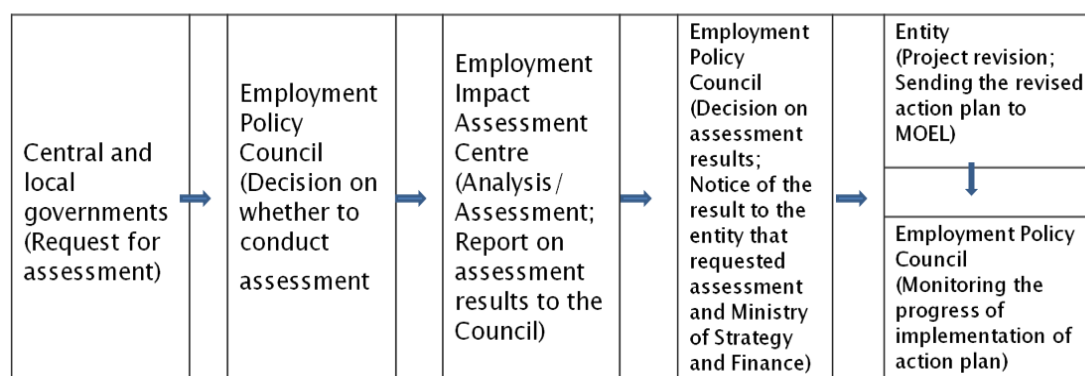
## 2.3 Accountability system

This final subsection explores employment policy accountability systems; it focuses on monitoring/assessment programmes such as the Employment Impact Assessment Programme, Local Job Creation Strategy Notice System, and the Employment Insurance Assessment Centre.

### 2.3.1 Employment Impact Assessment Programme

Following the Asian financial crisis, the Korean Government established the Employment Impact Assessment system which seeks policy alternatives for job creation by conducting quantitative and qualitative analyses, not only on employment policies that have a direct impact on jobs, but on important government policies and public projects in the economy, industry and welfare which ultimately support the creation of more jobs.

**Figure 7 The employment impact assessment process**



Source: Cho et al., 2013

The Employment Impact Assessment Centre carries out analyses of the employment impact of the project under study and makes policy recommendations aimed at job creation. The Employment Impact Assessment Centre was designated by a Review Board (chaired by the Director of Employment Policy, MOEL and consisting of four outside experts and two internal members) through an open competition among government-subsidized agencies and private institutions, to carry out employment impact assessments on an ongoing, full-time basis. The designated assessment agent carries out the task for two years. Every other year the contract is

renewed after evaluating its performance, but the contract may be terminated by invoking special causes, such as budget changes. In 2013, the Korean Labour Institute was selected as the Employment Impact Assessment Centre. Analysis is focused on the policies' relevance to the labour market and impact on employment.

Major policy recommendations are made relating to the following:

- Relevant policy factors that impact increase/decrease the number of jobs ;
- Adjustments of subproject budgets to maximize employment effects, as well as adjustment of overall budgets to heighten the employment effect.
- Policy alternatives that may create more jobs.
- Policies to increase the positive effects on job creation.

The results of the employment impact assessment are delivered to the project entity, such as ministries and local governments, and the Ministry of Strategy and Finance, after review by the Employment Policy Council<sup>7</sup>. The project entity sets up an action plan based on the results of the assessment which is sent to the MOEL. The progress of implementation of the action plan is monitored at least once a year, and reported to the Employment Policy Council. The Ministry of Strategy and Finance uses the assessment results as reference data in future budget allocations.

**Table 3 Analysis of employment impact**

	Description	Analysis methodology
Relevance to employment	<ul style="list-style-type: none"> <li>• Relevance to employment and labour market</li> <li>• Practicality of goals regarding employment</li> <li>• Nature of jobs created upon implementation of policy</li> <li>• Spill-over effects of the project to job creation in other industries</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys, interviews</li> <li>• FGI (Focus Group Interview)</li> </ul>
Employment impact	<ul style="list-style-type: none"> <li>• The maximum amount and characteristics of jobs that can be created through the project</li> <li>• Amount and characteristics of jobs that can actually be created directly and indirectly through the project</li> <li>• Changes in the labour market structure and number of jobs expected or occurring upon implementation of the policy</li> </ul>	<ul style="list-style-type: none"> <li>• I-O (input-output) model analysis</li> <li>• PSM (Propensity Score Matching) model</li> <li>• CGE (Computable General Equilibrium) model</li> </ul>

Source: Cho et al., 2013

Seven national or local government projects were analysed and evaluated by the employment impact assessment programme in 2010, 14 projects in 2011, and 15 projects in 2012. The employment impact assessment programme is expected to contribute to making planning and execution of the budget and national projects more employment-friendly.

<sup>7</sup> The Employment Policy Council is the national legal organization set up in the MOEL to deliberate on important matters concerning employment. It is based on the Framework Act on Employment Policy. There is also a local employment council in a special metropolitan city, metropolitan city, special self-governing city, province and special self-governing province. The Policy Council is comprised of not more than thirty members including a chairman, the Minister of Employment and Labour. The members are appointed by the Minister of Employment and Labour from among those who represent workers and employers, employment policy professionals and the vice ministers or vice-ministerial level officials of the relevant central administrative agencies.

### 2.3.2 *Local Job Creation Strategy Notice System*

Another evaluation system in Korea is the “Local Job Creation Strategy Notice System” which was implemented by the MOEL in 2010. Through the “Local Job Creation Strategy Notice System,” the local government has been encouraged to establish its own job creation targets catering to the characteristics and situation of the region. Employment policies that can meet these objectives are presented to community residents, and the central government, MOEL, conducts a review and assessment in order to provide support.

Each year, the MOEL conducts a review of whether the goals of the local government have been achieved while also looking at progress in implementing the announced policies. It also provides ongoing support to improve the effectiveness of the policies, such as having professional consulting agencies find ways of improvement and adjustment. In addition, the MOEL holds a yearly competition on “Local Job Brands”, for the purpose of encouraging local government to pursue regionally-customized job creation projects. Through this competition, the suitability and effectiveness of the projects (“Local Job Brands”) implemented by local government are evaluated, and various benefits are extended to top performing municipalities, such as the grant of awards and preferential budget assistance<sup>8</sup>.

Since adopting this system in July 2010, almost all local governments have participated in this programme every year. In 2013, all Korea’s 244 municipalities participated in the project. The result has been a consistent increase in the number of local governments that implement regionally-customized job creation projects tailored to the needs and nature of each region. Moreover, most local governments have expanded their job creation project budgets, while some have established new divisions dedicated to the pursuit of job creation or have expanded existing organizations for such a purpose, effectively strengthening the necessary administrative bodies.

### 2.3.3 *Employment Insurance Assessment Centre*

Since 2007, the Korean Government has conducted an annual review and assessment of each employment insurance-related programme each year in order to make labour market policies more efficient. The MOEL uses the results to improve the programmes. It set up the Employment Insurance Assessment Centre at the Korean Labour Institute, which operated until 2010, but changed to the Korean University of Technology and Education consortium in 2011.

The Employment Insurance Assessment Centre: (i) carries out studies on improvement of the employment insurance system and re-organization of employment insurance programmes to cope with the social and economic changes; (ii) puts forward proposals on ways of improving employment insurance programmes; and (iii) provides estimates of the necessary financial resources for prior appraisal of new employment insurance programmes. The results of the assessments are used to restructure and improve the system employment insurance programmes, as well as to establish annual employment insurance fund management plans.

The Ministry of Strategy and Finance is also notified of the results, which are reflected in the performance assessment of the Employment Insurance Fund. Programmes that receive a rating of “less than satisfactory” are subject to budget cuts in the following year.

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<sup>8</sup> Top performing municipalities in the “Local Job Brands” competition are awarded a certificate and trophy. They also get budget assistance from central government to carry out the “Local Job Brands” projects in the following year.

### 3 Conclusion

The case study on Korea's employment policy implementation mechanisms shows several similarities to and differences from other advanced countries. The main findings can be summarized as follows:

1. The Employment Insurance System has played the main role as the basic institutional employment policy support system. The Korean EIS encompasses most active and passive labour market policies. Most employment policies are based on the EIS programmes, and accordingly most financing of the policies come from the Employment Insurance Fund.
2. The Korean Government has established labour market institutions and enhanced its infrastructure and programmes to meet labour market needs, especially following the Asian financial crisis at the end of the 1990s.
3. The Korean Government has sought to place jobs at the centre of the national policies. It has introduced initiatives to increase job creation through fiscal measures, the national budget, welfare and industrial policies. The new Government's 70% employment rate roadmap strategy is a good illustration of this. Recently, the activation approach has been emphasized in almost all employment policies.
4. The Government has set up a system of national governance to coordinate employment policies and established a policy monitoring and evaluation system. The Korean Government recently began contracting out employment services to private and voluntary sector organizations, so monitoring and evaluation of these programmes is becoming all the more important.
5. Lastly, the Government engaged in social dialogue to develop national policies and measures to address employment issues.

However, most of those initiatives are of rather recent origin. The effectiveness of their implementation and their impact on the labour market will unfold over time. For now, the initial results are promising, and, despite some challenges performance is expected to be even better.



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